

Members

Sen. Luke Kenley, Chairperson
Sen. Brandt Hershman
Sen. John Broden
Rep. Peggy Welch
Rep. Eric Turner

Advisors

Sen. Robert Meeks
Sen. Lindel Hume
Rep. William Crawford
Rep. Jeffrey Espich
John Grew
Steven Johnson
Katrina Hall

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Authority: IC 2-5-3-2



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: July 30, 2007
Meeting Time: 9:00 A.M.
Meeting Place: State House, 200 W. Washington St.,
Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Sen. Luke Kenley, Chairperson; Sen. Brandt Hershman; Rep. Peggy Welch; Rep. Eric Turner; Sen. Robert Meeks; Sen. Lindel Hume; Rep. William Crawford; Rep. Jeffrey Espich; John Grew; Steven Johnson; Katrina Hall.

Members Absent: Sen. John Broden.

I. Call to Order and Discussion of the Agenda.

Sen. Luke Kenley, Chairperson, called the meeting to order at 9:10 A.M. He introduced John Grew as one of the Advisory Members who was joining the Commission. Sen. Kenley noted that the Commission would be hearing testimony on the Assessment System and then hear testimony in the afternoon on the 2007 Homestead Rebate.

II. Sen. Kenley introduced Rep. Milo Smith to begin the discussion on the Assessment System. A written copy of Rep. Smith's remarks and handouts are included as Exhibit A. Rep. Smith authored H.R. 99 requesting an interim committee study the issue of uniform and equal assessment of real and personal property along with the auditing process, the corrections process, and the appeals process.

Commission members' discussion focused on the following areas:

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

- objectives of trending;
- subjectivity of assessment system;
- appeals procedures;
- sales chasing;
- enforcement of current assessment rules;
- annual adjustments; and
- complexity of the trending rule.

Sen. Kenley introduced Cheryl Musgrave, the new Commissioner of the Department of Government Finance, and Ryan Kitchell, the new Director of the Office of Management and Budget. Ms. Musgrave described her background as the former president of the Vanderburgh County Council and Vanderburgh County Assessor. She explained that after review of the county assessment data, she recommended that Marion County, along with Delaware, Posey and Gibson Counties redo their assessments for Pay 2007. The DLGF sent letters to 71 counties requesting data or a plan for data submission by August 15th.

Commission discussion followed:

- DLGF's authority over assessments;
- the assessment manual;
- training of assessors;
- financial and staff resources of local assessment officials;
- use of private vendors;
- one statewide software system;
- monitoring the reassessment system;
- property tax payment plans in counties ordered to redo assessments;
- expenditure and alternative financing options for counties; and
- comparative tax bills.

Sen. Kenley asked Commissioner Musgrave to submit her written comments and thoughts for proposed legislative changes to the Commission.

Sen. Kenley then recognized Sen. Dillon to discuss SCR 8. Sen. Dillon stated that he introduced this resolution because he believed that it was important for the tax system to be fair and administered properly and efficiently. His contact with constituents suggested that there was some apparent inequities in the assessment system and some concerns regarding fairness.

Next Sen. Kenley introduced Billie Breaux, the Marion County Auditor, and Michael Price, Deputy Auditor. A copy of Auditor Breaux's written testimony is included as Exhibit B. She discussed concerns over the timing, cost, and application of the 2007 Rebate checks. Commission discussion ensued over the legislative history and funding of the rebate checks.

Judy Sharp, Monroe County Assessor, was asked to address the Commission. A copy of her written testimony is included as Exhibit C. Ms. Sharp discussed the history of the assessment system and the numerous changes instituted to address concerns over the past 30 years. She suggested that adherence to the assessment rules will eliminate problems and she did not believe that the problems in Marion County would be found statewide. Carol Maynard, Hancock County Assessor, discussed training issues of local assessors also answered questions from Commission members. Debbie Folkerts, Hamilton County Assessor, stated that trending has created a learning curve for everyone. She noted that she had dealt with 8 different DLGF commissioners over the last 8 ½ years. She suggested that assessors be appointed, hired by the county and trained by IAAO.

Commission discussion followed on the following items:

- use of foreclosures in trending
- use of sales ratio studies to evaluate township trending;
- coordination between county assessor and county auditor;
- penalties for nonperforming local officials;
- training issues;
- various statutory deadlines, changes and extensions; and
- predictability of future property taxes.

Sen. Kenley recessed the meeting at noon and stated that testimony would resume at 1:00 p.m.

After reconvening the meeting at 1:05 p.m., Sen. Kenley asked Paul Ricketts to address the Commission. Mr. Ricketts outlined a plan to create 10 assessment districts in the state. (Exhibit D). These districts would be overseen by district supervisors in an effort to create uniformity across the state. He noted the need for one statewide property tax computer system and training requirements. Commission discussion followed on the funding of a statewide assessment system and the composition of the PTABOA.

Sen. Kenley recognized Matt Norris representing the Township Association and Linda Williams, Township Assessor. Ms. Williams supported additional training of assessors as required by SEA 287. A former Greene County township trustee assessor addressed the Commission regarding training requirements and the difficulties of having only a few businesses within a community.

Mark Brown with the Indiana Association of Realtors (IAR) next addressed the Commission. A copy of his testimony is included as Exhibit E. Mr. Brown described the impact of incorrect assessments, IAR recommendations, the Indiana Fiscal Policy Institute's Equalization Study Findings and Results, and continuing data problems. Commission discussion followed regarding contracting with private vendors, other states' requirements for assessor training and evaluations, and the complexity of the appeal process.

Sen. Kenley called on Greg Bowes, Marion County Assessor, to comment on the assessment system. Mr. Bowes stated that he took office on January 2, 2007 and prior to the election he took the Level 1 and 2 training. He noted certain limitations of the assessment process including the skill levels of assessors and staff, lack of training on trending, experience level of assessors, and pay level of employees. Mr. Bowes discussed the complexity and subjectivity of the property tax system in comparison to other forms of taxation. Mr. Bowes recommended eliminating township assessors, increasing the training requirements, updating resources used in cost tables and professionalizing the assessment officials.

Sen. Kenley invited other public testimony on the issue of the assessment system. Testimony included comments on the following topics:

- trending;
- maintaining consistent property taxes after purchase of the home;
- proposal to eliminate property taxes;
- calculation of property tax levy;
- appeals procedures;
- number of neighborhoods within individual townships;
- statewide assessment system;
- problems with reassessment in Marion County; and
- significant increases in property tax bills in Marion County.

Written testimony was submitted by James Ramsey (Exhibit F) and Michael Bernero (Exhibit G).

Sen. Kenley referenced the Governor's letter which was distributed to Commission members at the first meeting asking the members to review the issue of the rebate or credit and to allow counties to target the homestead credit. He then recognized David Bottoroff of the Association of Indiana Counties to begin the discussion of the 2007 rebate. Mr. Bottoroff distributed a folder with his testimony including information on the cost of the rebate vs. credit, the adoption of the new local option income tax, use of CEDIT for inventory tax relief, DLGF's correspondence to counties regarding data submissions, and the 2007 estimated impact of PTRC and homestead credit distribution to counties. (Exhibit H)

Commission discussion continued on these topics:

- expediting the rebate checks;
- cost of the credit vs. rebate;
- federal income tax issues;
- procedures for issuing the rebate checks; and
- multi-county taxing districts.

Sen. Kenley asked Ryan Kitchell to discuss the Governor's proposal regarding the 2007 rebate. Mr. Kitchell stated that the Governor prefers the use of a credit since it is simpler to apply and would suggest that counties have a menu of choices of how to distribute the relief. These choices could include target the relief based on income, percentage growth in taxes, or a circuit breaker. With the circuit breaker proposal counties would get the same amount of funds and be able to "buy down" the 2% circuit breaker a year earlier. He showed the Commission a chart outlining the various rates of circuit breakers which could be implemented in counties around the state. He asked that the Governor's statement be read into the record. (Exhibit I)

The Commission discussed the following concerns with Mr. Kitchell:

- impact on counties ordered to reassess property;
- imposition of the new LOIT;
- distribution of the credit across the state;
- distribution of credit to all homeowners vs. allowing county discretion;
- statutory limits; and
- timing and affect of potential changes to rebate plan.

Mike Rodman, Marion County Treasurer, testified that there are approximately 215,000 homestead properties in Marion County and the rebate will cost the county \$215,000 to \$400,000. He also estimated \$25,000 in programming costs.

Sen. Kenley announced that the next meeting would be August 13th at 1:00 p.m. The meeting was adjourned at 4:30 p.m.